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POLICY BRIEFING

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President's Budget Includes Deep Cuts for Social Service Programs

President Bush presented his Fiscal Year 2006 Budget to Congress on February 7. Overall, the budget would increase spending for the Defense Department by 4.8%, the Department of Homeland Security by 7%, and the State Department (including foreign aid) by 15.7%. Departments targeted for cuts include Housing and Urban Development (11.5%), Agriculture (9.6%), Transportation (6.7%), the Environmental Protection Agency (5.6%), and the Center for Disease Control and Prevention (12.4%). At least 150 programs would be eliminated or drastically cut back, one-third of which are education programs.

The budget request makes some unprecedented changes to procedure in order to meet the president's goals of making the 2001 and 2003 personal income tax cuts permanent and cutting domestic programs to reduce the deficit, estimated in the budget to be \$427 billion in 2005. The Center on Budget and Policy Priorities (CBPP) has analyzed the initial budget proposals and found the following:

- For the first time since 1989, the budget does not identify funding allotments for individual programs beyond 2006. This means that \$196 billion in cuts to domestic programs, or all of the cuts slated for years 2007 through 2010, are not identified in the budget request.
- Excluded from the budget request in spite of their critical impact on federal spending are funds for military costs in Iraq, making permanent or extending federal tax cuts and enacting proposed Social Security reforms.
- Estimates of the funding cuts for programs in fiscal year 2010 were made by CBPP using the reductions in programs for fiscal year 2006 as a basis. By this method, it is estimated that the current budget's \$18 billion in cuts to domestic discretionary programs will grow to \$66 billion in cuts for those programs in the 2010 budget, with programs receiving on average a 16% cut in funding.
- Cuts in domestic spending are represented as a necessary step to reduce deficits, despite the fact that such domestic programs account for only 7% of the cost of legislation enacted since 2001. Tax cuts constitute 48%, and defense and homeland security 37%, of the costs associated with post-2001 legislation.
- A proposed new budget rule would require that any legislation introduced that would make the 2001 and 2003 tax cuts permanent be treated (in estimating its cost) as if that same legislation had already been enacted. This would result in estimates that show the costs of extending the tax cuts as zero, despite their actual significant cost, estimated to be \$1.8 trillion through fiscal year 2015.

Among the budget items most likely to affect low-income families:

- Frozen child care funding, which would result in an estimated 300,000 fewer low-income children receiving child care assistance by 2010. Estimates that include a projected reduction in the TANF allotment for child care assistance place the number of lost child care slots at 375,000.
- Maintenance of current funding levels (without adjustments for increases in the cost of living) for TANF, Social Service Block Grants, Maternal and Child Health Block Grants, and the Substance Abuse Block Grant.
- A \$57 million cut in the Food Stamp program achieved by limiting eligibility to some categories of TANF and SSI recipients. The cut would result in a termination of Food Stamp benefits for an estimated 300,000 low-income individuals. Recipients in eleven states, Delaware, Maine, Maryland, Massachusetts, Michigan, North Dakota, Oregon, South Carolina, Texas, Washington and Wisconsin would be affected by the cut.
- A reduction in net Medicaid funding by more than \$45 billion over 10 years. According to CBPP, the budget also implies a cap on Medicaid funding that would end the entitlement to Medicaid benefits for millions of low-income families and would result in a shift - from funding that keeps pace with rising costs, to level funding that represents an increasingly smaller share of actual state obligations as health care costs continue to climb.
- The Community Development Block Grant is eliminated and its programs consolidated and moved from Housing and Urban Development to the Commerce Department, and incurring a cut of \$1.8 billion.
- The Low-Income Heating and Energy Assistance Program (LIHEAP) would be cut to \$2 billion from \$2.2 billion.
- Department of Labor adult training programs would be cut by \$329 million.
- Adult education and family literacy programs would be cut by 62%, or \$362 million.
- The Community Services Block Grant, which provides job training, is eliminated.
- The Perkins Vocational and Technical Education program, funded at \$1.3 billion this year, is eliminated and its funds are folded into the Administration's high school initiative.
- Funding reductions that the National Head Start Association estimates would result in the elimination of services to at least 25,000 children.

Particularly notable items in the budget include:

- ◇ Funding for abstinence-only education would triple from 2001 levels to \$206 million, increasing by \$39 million.
- ◇ \$161 million would be set aside for grants to faith-based organizations to "mentor children of prisoners and provide a safe place for young pregnant and parenting mothers."
- ◇ Funding for the apprehension of army deserters would more than double.

For more information, see multiple articles at www.cbpp.org and at the Coalition on Human Needs, www.chn.org. See also *President's Budget Projects 300,000 Low-Income Children to Lose Child Care by 2010*, www.clasp.org, and *Budget Needs to do More for Troops*, www.housedemocrates.gov.

Two Wisconsin Court Decisions Could Benefit Low-Income Parents

A Wisconsin Supreme Court decision requiring fees from lawyers that would be directed to legal services for the poor and a Court of Appeals decision on birth cost recovery from low-income noncustodial parents may positively affect poor families in the state once implementation of the court decisions takes place. The decisions:

- A Wisconsin Court of Appeals decision, *Rusk County v. Thorson*, addressed the issue of reimbursement of birth costs paid by a state Medicaid program. Under current Wisconsin law and federal law, only the unmarried father of the child can be held responsible to reimburse the government for these expenses. Under Wisconsin law, an individual father can be ordered to reimburse the government "based on that father's ability to pay or contribute to those expenses." No previous Wisconsin Court of Appeals decision had determined the meaning of this language in the statute. In the *Thorson* case, the child support agency argued that if the state was prohibited from obtaining an order for birth costs from parents who have no ability to pay those costs, it would "virtually eliminate collection of lying-in expense [Medicaid-paid birth costs] from a father." The state collected more than \$17 million in birth costs in 2003.

The Court of Appeals, however, ruled that only when and if the father has the ability to pay could the child support agency seek an order for him to reimburse the government.

The decision is part of a larger trend toward placing limitations on the ability of child support agencies to seek reimbursement of Medicaid-paid birth costs. The federally created Medical Child Support Working Group recommended in June 2000 that Congress pass legislation to ban the practice of child support agencies seeking this fee. As part of the Child Support Distribution Act of 2000, the House passed legislation by a vote of 405 to 18 that, had it been passed by the full Congress, would have prohibited this practice.

Advocates who oppose this child support practice argue that it deters pregnant woman from seeking prenatal care, creates or encourages an adverse relationship between parents and the child support agency, and further impoverishes low-income families (women, men, and children).

For more information about this topic and particularly its impact in Wisconsin visit the publication page of www.cffpp.org. A case analysis, *Lying-In Costs Case Analysis*, is available at www.wislawjournal.com.

- The Wisconsin Supreme Court responded favorably on January 12th to a petition seeking to require that the Wisconsin State Bar collect a \$50 annual fee from each active Wisconsin attorney to fund legal services in the state. The court-mandated assessments will begin July 1, 2005. It is anticipated that the fee will generate \$850,000 per year and will help to offset a drop in funding for legal services from \$2.1 million in 2001 to slightly more than \$869,000 in 2004. See *Justices Approve \$50 Fee for Services*, www.wislawjournal.com.

Tennessee Judge Orders English Skills as Condition of Custody for Immigrant Parents

Judge Barry Tatum of Wilson County, Tennessee has instructed some immigrant mothers to learn English or risk losing custody of their children. In one recent case, an 18-year-old mother from Oaxaca, Mexico was reported to the Tennessee Department of Children's Services for failing to immunize her child and for missing appointments. Judge Tatum ordered her to learn English and to use birth control.

The judge has given similar orders to non-English speaking parents in several cases. In another case, he instructed a woman who had been cited for neglect of her 11-year-old daughter to obtain a 4th grade level of English proficiency by her next court date, scheduled six months later. If she failed, he warned that he would begin the process of terminating her parental rights. In ordering the English proficiency, the judge also denied the mother's request for counseling. The mother's attorney noted that the task of achieving 4th grade English proficiency would not be possible given the mother's lack of basic education. The ruling has had the effect of prolonging the daughter's foster care by months, prompting the National Coalition for Child Protection Reform to note that, "For a judge to hold a child in foster care solely to impose his whims and prejudices on the mother is an unconscionable act of judicial child abuse."

See *Judge Tells Mom in Custody Cases to Learn English*, January 29, 2005, www.tennessean.com.

New York Governor's Budget Includes Controversial Child Support Measures

New York Governor George Pataki's budget for fiscal year 2005 contains two provisions that would be the first of their kind:

- Noncustodial parents who are current on their child support payments, are between the ages of 18 and 30, and earn less than \$11,490 annually would be eligible for a state-funded Earned Income Tax Credit. The state estimates that average credits would be approximately \$980, and that 10,000 noncustodial parents would qualify.
- Noncustodial parents who marry the mothers of their children for whom child support is owed would have enforcement of their child support arrears to the state suspended.

Other proposals related to the Governor's fatherhood initiative include:

- A five-site demonstration establishing intensive work programs and parent education for unemployed young fathers who have support orders in place or have had paternity established for their child.
- An increase in the amount of earnings that a welfare recipient may receive and continue to receive assistance; and
- Increased power for judges, including child support magistrates, to order unemployed or under-employed noncustodial parents into employment programs when such programs are available.

A summary of these budget provisions, *Governor Announces New Measure to Strengthen Families*, is available at www.otda.state.ny.us.

Update on Faith-Based Funding

Funding of faith-based services continues to be a priority for the Administration. Several developments in the Administration's faith-based initiative and results from a study of conservative foundations follow:

- In a lawsuit brought by the Freedom From Religion Foundation against the faith-based prison mentoring program MentorKids USA (see July 2004 CFFPP Policy Briefing for details), U.S. District Court Judge John Shabaz ordered that the U.S. Department of Health and Human Services vacate funding of the program due its advancement of religion in violation of the Establishment Clause of the Constitution. The program, a part of Charles Colson's ministry, works exclusively with Christian, churchgoing volunteers to be a "presence for Jesus" in the lives of children of incarcerated prisoners. Mentors must sign a religious mission statement that the bible is "without error in all its teachings, including creation, history, its origins and salvation." Mentors are also required to provide monthly reports on whether their mentee "seems to be progressing in relationship with God," and whether they have "participated in Bible Study," "attended church," or "accepted Christ this month." The program will not receive its final installment of \$225,000 on its federal grant as a result of the decision

For more information on the original lawsuit and its request, which was denied in Judge Shabaz's decision, that HHS be enjoined from funding its faith-based mentoring programs due to its documented preference in funding religious organizations over community-based organizations, see <http://www.ffrf.org/news/2005/mentorkidsdec.php>.

- *The Job Training Improvement Act*, H.R. 27, which amends the Workforce Investment Act and reauthorizes the Adult Basic Education Skills Act and the 1973 Rehabilitation Act, is co-sponsored by Congressmen John Boehner (R-OH) and Howard P. "Buck" McKeon (R-CA). According to the American Civil Liberties Union (ACLU), the bill is unconstitutional in that it exempts religious organizations from the constitution's prohibition on religious discrimination and allows taxpayer dollars to fund religious organizations that discriminate against their employees in the delivery of federally-funded services. An amendment offered by Representatives and David Scott (D-GA) Chris Van Hollen (D-MD) would restore current law barring such discrimination.
- A report from the National Committee for Responsive Philanthropy (NCRP), *Funding the Culture Wars: Philanthropy, Church and State* finds that conservative non-profit foundations are using strategic grantmaking to fund political evangelical movements that are increasingly influential. Thirty-seven foundations that gave 3,200 grants totaling \$168 million to 700 evangelical grantees were evaluated. The report finds that:
 - ◊ Organizations that fight against gay marriage rights, including Focus on the Family, the Family Research Council, and Exodus International, received approximately 10 percent of the total grant monies studied.
 - ◊ Forty one percent of grants studied were given as general operating support, an effective strategy employed by right-wing foundations to build the advocacy capacity of their grantees.
 - ◊ Of the grant dollars devoted to international mission work, \$24.6 million were used to proselytize, while only \$13.3 million were used for humanitarian assistance and aid.

Print editions of the report can be ordered on-line at www.ncpr.org.

Many States Fail to Restore Voting Rights of Ex-Felons Despite Statutes

A recent report from the Sentencing Project, *Barred for Life: Voting Rights Restoration in Permanent Disenfranchisement States*, surveyed the process of having voting rights restored in the 14 states that provide for permanent disenfranchisement of convicted felons, even after they have completed their sentence. The survey found the following:

- In 11 of the 14 states surveyed, less than 3% of ex-felons had their voting rights restored. In Mississippi, a total of 107 of 82,002 disenfranchised residents had their voting rights restored since 1992. In Nebraska, 343 out of a pool of 44,001 have had their rights restored since 1993.
- Cumbersome and obscure processes that vary widely by state for restoring voting rights represent often insurmountable obstacles for ex-felons. In Tennessee, for example, the process is different depending on which of five different time periods a felony conviction was acquired. In addition, most of the states have a waiting period before application can be made to have rights restored, but information on the waiting period and tracking it are left to the ex-felon to track.
- Some states, including Florida and Kentucky employ character tests before restoring rights, a constitutionally questionable practice. In Florida, applicants are asked if they drink alcohol and in Kentucky letters of reference regarding the applicant's character are required.

The report includes a synopsis of the surveyed states' processes for reenfranchisement and numbers of ex-felons who have had their rights established. It is available at www.sentencingproject.org.

Access to Banking for Poor Examined

A paper from the Brookings Institution describes the many barriers to efficiently accessing financial services for low-income workers, and recommends policy changes to improve such services. Among the paper's findings:

- Eighty-three percent of families with no checking or savings account earn under \$25,000 per year.
- The check cashing industry processes 180 million checks totaling \$55 billion annually, and generating \$1.5 billion in fees. Low-income families without banking options rely on these services but pay fees ranging from 1.5 to 3.5 percent of the check's value to have the check converted to cash.
- Payday lenders, who provide short-term loans to low- and moderate-income workers who lack credit, make over 65 million loans totaling over \$10 billion annually, and earn over \$2 billion each year. The average amount charged for a single, two-week loan of \$300 is \$54. Payday loan customers, however typically take out 7 to 11 loans per year, spurring added fees for each loan renewal and catching the customer in a "debt trap."
- Approximately two-thirds of families who claim the Earned Income Tax Credit (EITC) use commercial tax preparation firms to file their taxes, and many use refund anticipation loans (RALs) to receive their refund as a loan from the tax preparer. RALs and the fees for services applied by the tax firms average 13% of the EITC. A total of \$1.75 billion in such fees are charged annually to low-income households for EITC claims and loans.

Low-income households are pushed to take out RALs because, without a bank account, refunds take 4 to 6 weeks to receive, and because the tax preparation fee itself is deducted from the loan.

- Electronic Benefits Transfer (EBT) programs were established as part of welfare reform to convert TANF payments from checks to electronic deposits. The EBT held the potential of introducing families to banking systems, but instead of establishing bank accounts for recipients, states have used contractors to provide debit cards that allow access to funds held in a state account. This allows the state to have the benefit of the “float” on benefit funds before recipients withdraw the funds.

The report, *Banking the Poor: Policies to Bring Low-Income Americans Into the Financial Mainstream*, is available from the Brookings Institution at www.brookings.edu.

Marriage Leaders Define Goals for Professional Sectors

A group of 209 professionals who refer to themselves as “marriage leaders” have issued a statement published by the Institute for American Values, *What Next for the Marriage Movement*. The document begins with the group’s intention to “lead a marriage renaissance in the United States,” and an observation that there are “new opportunities and emerging crises for those who wish to recreate a marriage culture.” The statement includes an outline of the “challenges” to their efforts, a description of the “marriage movement,” a statement of their mission, and a list of their broad goals over the next two years.

The group divides the marriage movement into eleven diverse areas, and the statement lists the specific goals of each of the eleven sectors of movement. The sectors include community organizers, youth organizers, “culture changers,” “marriage educators,” government officials, religious leaders, researchers, therapists, legal reformers, policy analysts, and theoreticians. Each sector has an explanation of the members’ responsibilities in the marriage movement and a list of individual goals. The therapists sector, for example, is described as therapists in the marriage movement who “work to educate their colleagues that neutrality as a therapeutic stance may interfere in the successful resolution of marital distress and may actually foster hopelessness.” They believe that “while therapists must respect the autonomy of their clients’ decision-making, therapist neutrality regarding marriage may not be consistent with research on best practices in couples therapy, nor is it always in the best interest of couples and families.”

The Statement can be obtained at www.americanvalues.org and www.marriagemovement.org.

Montana Considers Tax on Big Box Retailers to Offset Welfare Costs

The Montana legislature is debating a bill that would impose a tax on retailers that would range from 1% for those that make more than \$20 million in sales annually to 2% for retailers with more than \$40 million in sales. The tax would serve to offset costs assumed by the state when employees of big-box retailers are paid low wages and must obtain public assistance in order to make ends meet. See *Montana to Levy Tax on Wal-Mart?*, February 16, 2005, www.money.cnn.com.

Feds to Stop Collecting Data on Employment by Gender

The U.S. Bureau of Labor Statistics (BLS) has announced that it plans to end its collection of

data from the Current Employment Statistics survey that tracks employment by gender. The data allow for a reliable means to follow the differences between men and women in employment and job loss by industry.

As if to underscore the need for tracking the economic status of women, the U.S. Census Bureau has released a Special Report, *We the People: Women and Men in the United States* that compiles data from household surveys to compare the status of men to that of women. The report finds that:

- In 1999, white women earned about 70 cents for every dollar earned by white men, and black, Hispanic and women of "some other race" earned about 85 cents for every dollar earned by their male counterparts.
- In 1999, 13.5 percent of the female population, and 11.2 percent of the male population lived below the poverty level.

For more information, see *Statement by IWPR on the BLS Decision to Discontinue Data Collection on Women's Employment*, Institute for Women's Policy Research, www.iwpr.org.

The Census Bureau report is available at www.census.gov.